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ting melons in France.

Canadian Cattle and Beef Quotas

France—World's Second Largest Farm Exporter

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

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This week's cover:

Melons are sorted and packed at a French fruit cooperative. Growing output of these and other farm products has made France the world's second largest agricultural exporter. Articles on this situation—and its attendant problems—begin on page 4.

Canadian Cattle and Beef Quotas Hurting U.S. Livestock Trade

By ROBERT R. ANLAUF
Foreign Commodity Analysis
Livestock and Meat Products
Foreign Agricultural Service

THE RECENT unilateral decision by Canada to place quotas on its cattle and beef imports is expected to severely inhibit such U.S. trade with Canada—far the largest foreign market for U.S. livestock and meat. Reflecting in part problems with Canada's new beef grading system, which places a premium on lean meat over the traditionally preferred well marbled meat, the new quota could mean a total loss of over $100 million in U.S. livestock and meat trade and further aggravate an already difficult marketing situation.

The Canadian move, announced August 2, places quotas on all imports of live slaughter animals and fresh and frozen dressed beef for the period August 12, 1974, to August 11, 1975. U.S. shares of the global quotas for the 12-month period are 82,835 head of live animals and 17.9 million pounds of fresh and frozen dressed beef—figures based on average imports from this country over the past 5 years.

These are not, however, representative of present trade patterns. More representative are calendar year 1973, a 12-month period beginning April 1, 1973, and the most recent 7-month period, beginning September 1, 1973. Based on trends in these periods, U.S. livestock exports to Canada will lose some $113 million in total sales for the 12 months the quota is in effect. This can be broken down into a $100-million loss from the decline in live cattle trade under the quotats, and a $13-million drop in shipments of fresh and frozen beef.

Because these new quotas affect Australia, New Zealand, and other major beef exporters, they also will tend to cause diversions of beef to the United States—the only major market where severe import restraints have not been implemented.

The Canadian action traces back to enactment of the country's new beef carcass grading system in October 1972. From all indications, the new grading system resulted in a severe decrease in the supply of animals in the lower grade categories. Under the new system, animals that previously had been primarily in the top grades destined for the hotel and restaurant trade are now discounted heavily and graded in lower categories (designated A-3 and A-4). To meet the new requirements Canadian cattle feeders shortened their feeding period to produce animals with less marbling and leaner meat.

However, hotel and restaurant requirements failed to change in line with the new grading system, and demand surged for the suddenly lower graded and lower priced, but more highly marbled, meat. The combination of reduced domestic output and higher demand caused supply of beef from cattle in the A-3 and A-4 categories to plummet, while imports of these types of animals skyrocketed. This included a rapid rise in the import of U.S. slaughter cattle to fill the void in the Canadian supply and demand system.

Because of the large influx of U.S. slaughter cattle, the Canadian Government began a series of actions designed to reduce U.S. imports back to historical levels, thus ignoring the existence of a basic supply problem, which had been created by the change in the cattle grading system.

The first Canadian action, effective September 22, 1973, was the reimposition of tariffs on the imports of live animals and beef. The duties were 1.5 cents per pound on live cattle and 3 cents per pound on fresh and frozen beef. Despite the imposition of duties, imports of U.S. slaughter cattle continued and a price gap appeared between the U.S. market and the Canadian market. The gap was of sufficient proportion to cancel out the duties (1.5 cents per lb.) and trucking expenses

(about 3 cents per lb. liveweight).

The second step was the imposition of a surtax (doubling tariff duties) on November 2, 1973, thus raising the duties to 3 cents per pound on live animals and 6 cents per pound on fresh and frozen beef.

Meanwhile, despite still-strong import demand from Canada, U.S. prices for 900-1,100 pound choice slaughter steers in Omaha slumped to 40.25 cents per pound for the week of November 17. At the same time slaughter steer prices at Toronto rose quickly to 47.25 cents per pound for the same week—a spread of 7 cents.

The continuing demand for U.S. cattle in Canada, plus a widening marketing margin between the U.S. and Canadian markets to absorb the increased surtax and freight costs, indicated the Canadian supply of slaughter cattle for the hotel and restaurant trade was far less than the demand.

Removal of the surtax was finally achieved in January 1974 in three stages, effective midnight on January 13, January 27, and February 10 and divided into one-third reductions (1 cent off on live cattle and 2 cents off on beef) per stage.

However, with the U.S. Court of Appeals decision to reverse a lower court order banning the use of the growth hormone diethylstilbestrol (DES) in feeding livestock in this country, the Canadian Government effective April 9, 1974, announced a ban on the entry into Canada of all animals or meat from animals that have been fed or implanted with a growth hormone.

This effectively sealed U.S. slaughter cattle supply out of the Canadian market, causing live cattle prices to surge upward in Canada. During the week ending July 20 slaughter cattle in grades A-1 and A-2 at Toronto sold for 54 cents per pound, compared with 43 cents per pound at Omaha for U.S. Choice grade steers and 39 cents for U.S. Good grade steers. In addition, the Canadian Government was paying a 3 cents per pound subsidy to cattle producers to encourage marketing of all grades of slaughter animals.

To have this ban removed the United States proposed a program whereby certification would be made that animals destined for export to Canada had not been exposed to DES. The program was accepted by Canada as of August 2, 1974, at the same time it announced imposition of the new quota system.

In addition to the disparities in demand brought by the new grading system, the Canadian moves also are partly in response to the developing world beef glut, now a problem in all of the

VARIOUS METHODS OF MEASURING THE MONTHLY AVERAGE VOLUME AND VALUE OF U.S. EXPORTS OF LIVE ANIMALS AND FRESH AND FROZEN BEEF TO CANADA

Period	Live slaughter cattle exports[1]			Fresh and frozen beef and veal exports[1]		
		Value[3]			Value[3]	
	Quantity[2]	Total	Per head[4]	Quantity[5]	Total	per pound[4]
	Head	*1,000 U.S. dol.*	*U.S. dol.*	*1,000 pounds*	*1,000 U.S. dol.*	*U.S. dol.*
1969-73 (60 months) . . .	6,113	2,028	331.92	1,320	1,325	1.00
1973 (12 months)	15,443	5,930	383.96	2,366	2,633	1.11
4-1-73 to 4-1-74 (12 months)	18,592	7,406	398.35	2,358	2,712	1.15
10-1-73 to 4-1-74 (7 months)	27,825	11,396	409.55	2,443	2,709	1.11

[1] U.S. Census Bureau statistics. [2] Total months divided into total head. [3] Total months divided into total value. [4] May not divide exactly due to rounding. [5] Total months divided into total pounds.

POTENTIAL IMPACT OF THE CANADIAN QUOTA SYSTEM UPON U.S. EXPORTS OF LIVE CATTLE AND FRESH AND FROZEN BEEF, SEPTEMBER 1, 1974, TO SEPTEMBER 1, 1975
[In thousands of U.S. dollars]

Period	Live animal exports			Beef and veal			
	Projected total exports[1]	Exports under quotas[2]	Potential loss or gain per year[3]	Projected total exports[4]	Exports under quotas[5]	Potential loss or gain per year[6]	Potential total loss or gain per year[7]
1969-73 (60 months) .	29,221	32,998	+3,777	18,218	20,585	+2,367	+6,144
1973 (12 months) .	73,821	32,998	−40,823	32,651	20,585	−12,066	−52,889
4-1-73 to 4-1-74 (12 months) .	88,874	32,998	−55,876	32,540	20,585	−11,955	−67,831
10-1-73 to 4-1-74 (7 months) . .	133,009	32,998	−100,011	33,713	20,585	−13,128	−113,139

[1] $398.35 expected average price monthly average x 12 months. [2] $398.35 expected average annual price x Canadian quota of 82,835 head per year. [3] Difference between Col. 1 and Col. 2. [4] $1.15 per pound expected average price x monthly average x 12 months. [5] $1.15 per pound expected average price x Canadian quota of 17.9 million pounds. [6] Difference between Col. 4 and Col. 5. [7] Total of Col. 3 and Col. 6.

U.S. EXPORTS OF LIVE CATTLE TO CANADA[1]

Month	Quantity				Value			
	1971	1972	1973	1974	1971	1972	1973	1974
	Head	*Head*	*Head*	*Head*	*1,000 U.S. dol.*	*1,000 U.S. dol.*	*1,000 U.S. dol.*	*1,000 U.S. dol.*
Jan.	30,799	3,540	2,494	7,190	8,232	936	746	3,308
Feb.	4,004	391	1,520	18,222	1,071	123	515	7,957
Mar.	4,082	3,378	2,994	20,381	1,122	957	1,015	8,725
Apr.	4,171	11,456	1,634	2,480	1,141	3,433	495	1,023
May	1,477	8,320	2,480	405	427	2,652	751	160
June . . .	2,778	2,688	3,710	416	737	839	1,148	140
July	1,291	1,133	4,430	145	367	331	1,252	176
Aug.	257	714	17,071	(2)	73	240	5,452	(2)
Sept. . . .	157	527	39,125	(2)	47	162	13,215	(2)
Oct.	379	334	64,204	(2)	116	105	27,227	(2)
Nov. . . .	1,165	17,358	27,306	(2)	322	5,446	11,484	(2)
Dec.	7,398	11,520	18,351	(2)	2,115	3,450	7,855	(2)
Total .	57,958	61,359	185,318	(2)	15,769	18,674	71,155	(2)

[1] Cattle exports include all cattle except breeding cattle. [2] Not available.
U.S. Bureau of the Census.

major meat producers. While Canadian beef production has not risen nearly as much as that in other developed countries—only about 1 percent in the first half of 1974, compared with 5 percent for the United States—a larger gain is seen for the second half. This is expected to depress Canadian beef prices.

In addition, the longer feeding period necessary for grass-fed animals—a trend in evidence because of Canada's new grading system, plus high grain feeding costs—has helped hold down slaughter so far. But eventually these animals also will be coming to market.

In meantime, Canada is suffering from a pork surplus, which also is affecting supplies and prices in the United States. For instance, the large exports of Canadian sows and heavy slaughter hogs to the South St. Paul market—which receives many of the Canadian hogs—has recently caused prices there to range 3-5 cents under prices in other corn belt markets.

U.S. May Revise Grades

Responding to recommendations from major segments of the U.S. cattle and beef industry and from individual consumers, the U.S. Department of Agriculture has proposed altering U.S. beef grading standards. However, changes would not be as drastic as those adopted by Canada and would stress different features.

Major changes proposed are:

- Elimination of conformation as a factor behind quality grade.
- Grading of carcasses on the basis of both quality and yield.
- For beef from cattle under 30 months of age, establishment of required marbling at the level now set for the youngest qualifying carcasses, instead of increasing it with maturity. However, for cattle over 30 months, the latter requirement would remain.
- For the Good grade, a boost in the marbling minimum on the youngest carcasses, narrowing the quality range by a third.

The proposals were published in the September 11 issue of the *Federal Register*, and comments are being accepted by the Department of Agriculture until December 10.

FRANCE: World's Second Largest Agricultural Exporter

By KENNETH E. OGREN
U.S. Agricultural Attaché
Paris

In the export market for farm products, the closest challenge to the United States far-dominant position comes not from another sprawling grain-based giant, but rather from a country smaller than Texas. The nation is France, with a record farm trade last year in the neighborhood of $7 billion, expectations of another record in 1974, and a vested interest in keeping these exports strong and growing.

Achieving these results has not been without problems, however. Dependent upon the European Community to take 70 percent of its agricultural exports, France has often been caught with an overabundance of products to sell. This usually comes at a time of surpluses in the rest of the EC, creating storage and disposal problems not only for France but for the Community as a whole. While such difficulties were temporarily eased by the last two seasons' strong world demand at a time of major shortages in farm products, they appear to be re-emerging in the form of excess supplies of beef, broilers, butter, nonfat dry milk, and wine plus inflation-related worries for French farmers. (See accompanying article on page 6.)

Nurturing expansion in French agricultural exports has been development and enlargement of the European Community over the past decade and a half. The EC's protective Common Agricultural Policy (CAP) aided French farmers through ample production incentives, plus protection from imports by means of stiff tariff and nontariff barriers on such trade. While reducing market shares for certain products from the United States and other traditional third-country exporters to the EC, this protection in a sense gave France a captive market for its farm products, first in the original EC members—West Germany, the Netherlands, Belgium, Luxembourg, and Italy—and now in the new members of Denmark, the United Kingdom, and Ireland.

The CAP thus laid the groundwork for a production expansion that has firmly established France as Europe's top agricultural producer and allowed it to boost agricultural export value almost fivefold in the last decade and threefold since 1967.

The result is that today France is an exporter of extreme importance in the world market. Even though its $7-billion farm trade last year was still well under the $17.7 billion recorded for U.S. agricultural exports in calendar 1973, the difference is erased when these totals are reduced to a per capita basis. In fact, France comes out ahead with nearly $135 per capita in 1973, compared with under $85 for the United States. And in terms of agricultural area

Clockwise from right: Fruit and vegetable area of the Rungis market in Paris; sorting cherries in the field according to quality; cultivating lettuce grown under grass; and delivering French sugarbeets to a factory. EC incentives to agricultural production have particularly benefited the French, with their fertile farmlands and favorable weather, and the country now ranks as the top European farm producer and exporter.

—about 1/12 that of the United States —France's trade becomes even more impressive.

In addition, the country has been a major factor behind changes in EC trade since the Community's inception and at times can play an important competitive role in other markets.

Protection by the EC CAP from stiff outside competition—plus improvements in agricultural technology such as use of hybrids that can be grown in more parts of the country—allowed France to expand its corn production more than threefold between 1960-64 and 1973. Most of the increase took place after the unified grain CAP went into effect in 1967 pushing France from only a minor export position at the beginning of the 1960's into exporting more than half its crop—4.7 million metric tons—by 1973-74. Virtually all of this goes to other EC nations, accounting for about 26 percent of total EC corn imports.

Production of soft wheat in France—and other EC nations—also has expanded rapidly allowing France in 1973-74 to export nearly 9 million tons. But the EC as a whole also has a surplus of this type, so subsidized exports to third

countries have been necessary in the past. (They are not being used currently because of high world prices; in fact world prices were so high in 1973-74 that export taxes had to be used.)

Similar growth has been recorded for trade in French wine, next to wheat the country's largest single agricultural export; barley; fruits and vegetables; sugar; poultry and dairy products; and many other items. The United States had exported a number of these in large quantities to EC members before development of the Community's protective farm policies.

Today, the United States still counts both France and the EC as leading farm markets, but in both cases the market has been narrowed to the point where exports hinge around a few key items. Top products shipped to France are soybeans and soybean meal, holding about half the $390.4 million tally for U.S. farm exports there last year. (French wine, on the other hand, accounted for 63 percent of that country's $248 million in agricultural sales to the United States last year.) And oilseeds and feedgrains together made up around half U.S. farm exports to all the EC.

In markets outside the EC, France's greatest impact on U.S. trade comes in times of EC oversupply, when restitutions (subsidies) are used to make EC products competitive on world markets. Such subsidies have been used regularly for all items subject to the EC's variable levy import system, including butter and other dairy products, beef, pork, poultry and eggs, lard, and all grains. In addition, special subsidies not envisaged by the CAP are sometimes made available. And in some instances—U.S. apple exports to Venezuela and Brazil, for example—these subsidized exports have all but squeezed U.S. products out of a market.

In any case, mounting farm exports are playing an important part in the French economy. More recently, they have helped France shift from a deficit position in its farm trade to a surplus of $1.4 billion in 1973. This was accomplished as agricultural products' share of total imports fell to 15.2 percent from the 21.1 percent for 1967, while their share of exports rose to 19.2 percent from 16.5 percent. And with the recent increase in petroleum prices the French Government has emphasized further farm trade expansion as a way to help pay its larger import bill.

French Have Farm Problems Despite Still-Strong Exports

By KENNETH E. OGREN
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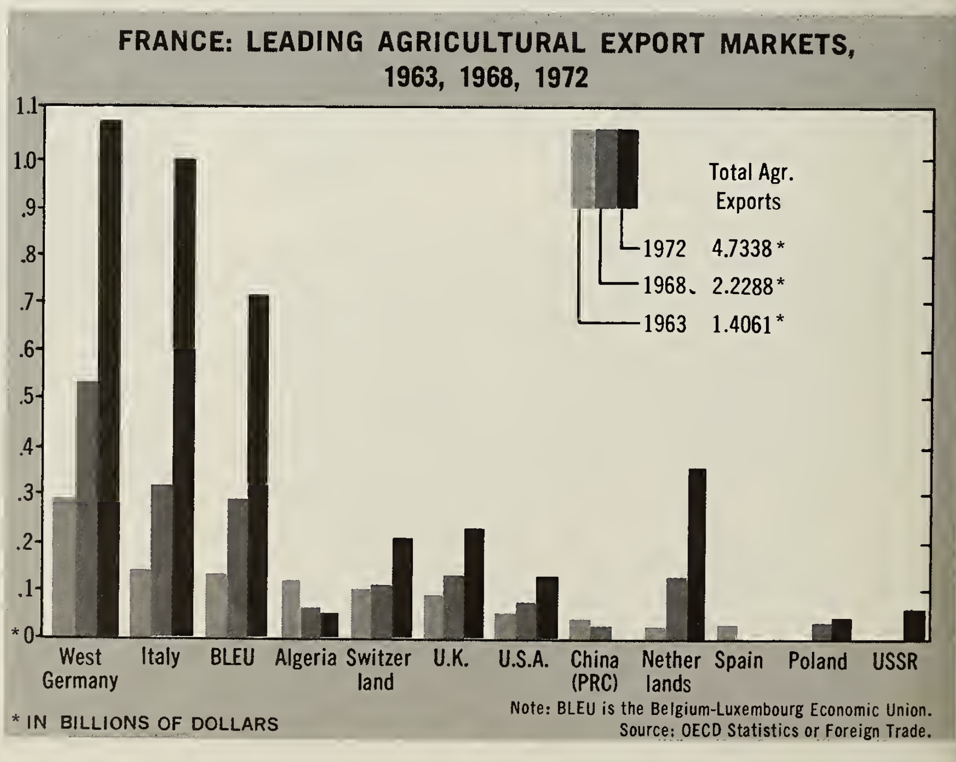
Although posting another good showing in the export market this year, French farmers face a growing number of worries. These reflect in part the European Community's sudden confrontation with beef surpluses—and their possible impact on future production plans—and in part the economic difficulties that have overtaken member nations of the EC and their outside markets as well.

Within the EC, the second straight year of double-digit inflation has caught up with the farmers—who anticipate sharp losses in 1974, despite prospects for export earnings some $2.2 billion above last year's $7 billion record. The Government has acknowledged that farmers will lose $6 billion-$8 billion in revenue this year if the siutation does not change. And the professional farmers' organization predicts gross returns will fall 13 percent from those of 1973, compared with a 10.4 percent rise last year. Especially vocal about the problems have been producers of beef, pork, fruits, and wine, who have staged a number of demonstrations to air their grievances.

The squeeze on farmers comes as prices for items like poultry, eggs, and beef deteriorate at the wholesale level, but often remain stable or even rise at the retail food counter—a problem that in one way or another is affecting most of the country's important export commodities.

Grain. France's largest export group, earning about $2 billion in foreign exchange last year, this sector is one of the healthiest in French agriculture today.

With demand strong and supplies plentiful, grain trade has been brisk over the last year, reaching an alltime record in 1973-74 as wheat shipments soared to an estimated 8.9 million metric tons, corn to 4.4 million, and barley to 4.9 million. Most of this growth was in corn—up over 50 percent from the poor



Note: BLEU is the Belgium-Luxembourg Economic Union.
Source: OECD Statistics or Foreign Trade.

Right, a livestock market in Parthenay; above, a broiler operation. The largest EC meat producer, France has been hard hit by the Community's current beef and broiler glut.

showing of 1972-73. As usual, major markets, were other EC members—West Germany, the Netherlands, Belgium, and Italy. In addition, sizable amounts of wheat and barley went to outside markets, including Switzerland, Egypt, and the USSR.

These record exports helped push total French foreign exchange earnings from farm exports in January-April to about $3.1 billion, or 45 percent more than returns in the same period of 1973.

Despite a slight increase in area, French grain production in 1974-75 is not expected to reach the record 42.2 million tons of 1973-74. Current estimates place total output at 41.2 million tons, with an 8-percent decline in barley offsetting anticipated slight gains for wheat, corn, and rye.

Foreign demand for feedgrains from this crop should be aided by the shortfall in U.S. production, while wheat sales will benefit from the fact that France still has a big amount to ship to the People's Republic of China as part of a 250,000-ton sale to that country.

One worry for French and EC grain producers generally is the uncertain demand situation caused by the Community's current oversupply of beef and other meats. Soaring EC demand for meat has been partly responsible for the grain boom of the recent past, and if this surplus turns out to be more than just a temporary situation, French grain trade could suffer.

Italy, of course, also is an important factor in the situation because of its recently imposed trade restrictions. These do not apply to grains and other raw materials since the country wants to cut its overall trade deficit by expanding production of beef and veal—still the largest drain on its foreign exchange. However, such efforts will be affected by general economic problems in Italy, plus the fact that other EC countries now have an overabundance of meat for export.

Livestock and dairy products. Accounting for about a fourth of France's foreign exchange earnings from agriculture, this sector plays an important role in the country's foreign trade. However, it also has been a source of some of the EC's worst headaches, in the form of surplus production, burdensome stocks, and the necessity of exporting to third countries at greatly subsidized prices. And some of these conditions are again coming into the forefront following a decided improvement in the situation during 1973.

The most longstanding difficulty has been mounting milk production and resulting overproduction of butter, nonfat dry milk, and cheese—a side effect of emphasis on beef production in this country where 60-70 percent of the beef still comes from dairy herds.

As the EC's largest milk producer, France in recent years has accounted for about 35-45 percent of the much lamented EC "butter mountain." This huge stockpile was drawn down sharply by a 441-million-pound sale of butter to the Soviet Union last year, but it is building up again. With collections of milk forecast up 4-7 percent in 1974, butter stocks in France alone are expected to reach 225-300 million pounds by year's end, compared with 166 million in December 1973 after the EC's sale to the Soviet Union.

French stocks of nonfat dry milk also have been growing, reaching 445 million pounds on January 1, 1974, compared with slightly under 300 million a year earlier. And current expectations are that these will climb another 150-200 million pounds in 1974.

Last year, France and other EC members were able to work down these dairy product stocks not only because of large bilateral sales, but also through increased shipments—up 26 percent in total from 1972—to the United States and other third countries as world demand for all farm products soared. However, this demand appears to be slowing, while demand within the Community has run into several snags, including the oversupply of beef—nonfat dry milk being an important component now of livestock feeds.

In the meantime, the EC must pay for any exports to third countries in the form of sizable subsidies: the butter to the USSR went for 19 cents per pound while EC consumers were paying over $1 a pound. And dairy farmers continue to demand higher prices so they can "catch up" in this time of rapid

Continued on page 12

World Weather

Late summer weather has been a mixed bag. It generally favored the small grain crops of Europe, boosted rice crops in the South Pacific, relieved drought in Africa, and eased flooding in Asia. But the summer monsoon was disappointing in most of India. Cool weather delayed maturity, and early frosts damaged vulnerable crops in portions of the north-central United States and Canadian Prairie Provinces. Rice suffered from cool and wet weather in South Korea and Japan, while drought affected crops in Nicaragua and parts of France. Hurricane Fifi eased the Nicaraguan drought, but caused flooding in Honduras, Belize, and Guatemala.—bringing in its wake tragedy and widespread damage.

GRAIN. Many European countries, aided by improved summer weather, produced record high small grain crops despite earlier periods of prolonged drought or excessive rain or both. Crops in most of Africa improved considerably as summer rains continued. Tardy grains in the U.S. Midwest and the Canadian Prairie Provinces, where cool weather continued to delay maturity, were damaged by early frosts and even lodged by snow.

In the Southern Hemisphere, weather favored the planting and emergence of small grains in Brazil and Uruguay—leading to expanded acreage in the latter—while Argentina got off to a late start because of a rain-delayed coarse grain harvest. Southern parts of Argentina's producing area could use more rain.

With few exceptions, France and Bulgaria for example, soil moisture is good for the start of winter small grains in the Northern Hemisphere.

Summer drought hurt corn and other crops in Nicaragua, Spain, central-west France, and perhaps in Bulgaria. Early frosts eroded U.S. corn prospects and the risk of more damage persists.

Pakistan had problems with the Tarbela Dam and released water that flooded out some acreage and reduced water resources for winter wheat and other crops.

India's monsoon came alive in July-early August only to falter badly in late August and the first 3 weeks of September. Rains during the second week of September, although good in some scattered areas, were mostly inadequate to carry karif (fall-winter harvest) crops to maturity. And as much of the country slips into the dry season, additional moisture is needed for rabi (fall-planted/spring-harvested) crops.

Floods ebbed in east India, Bangladash, Burma, and the Philippines, but not before damaging rice and other crops. Cool, wet weather hurt rice in South Korea and Japan. In contrast, August rains after early summer drought improved prospects in some areas of Thailand.

China's weather this growing season has not measured up to last season's, but has been good enough to suggest reasonably high grain yields. Hupeh and portions of adjoining Provinces have been troubled by drought; however, there may have been some relief in mid-September.

FIBER. Late summer weather in the Northern Hemisphere has favored cotton in Central America, the Mediterranean, the Mideast, and the USSR. Rains have delayed picking in Mexico and, with relatively low temperatures, have delayed ripening in the Memphis and Southeast areas of the United States.

In Pakistan, the Tarbela Dam flooded, reaching some cotton, and in neighboring India cotton continued to be plagued in several States by scanty rain.

OILSEEDS. Early frosts damaged soybeans in the U.S. north-central States and lowered repeseed quality in Canada. Continuing rains enhanced peanut prospects in much of Africa. Weather had been reasonably good for oilseed crops in the PRC, except for the Hupeh Province and vicinity. It is still a gloomy outlook in India, where rain has been too sparse or irregular, especially for peanuts in the important Gujarat region. Not only are yields expected to be low in many States but much intended acreage never got planted.

Phosphate Up In Morocco

On July 1, Morocco increased the spot price for its high-grade phosphate rock by 50 percent—from $42 to $63 per metric ton. Coming on top of previous increases, the new price is nearly 400 percent above that of 1973. Firm for only 6 months, the 1974 price increase will dramatically jump Morocco's earnings from production and export of phosphate rock, the raw material for phosphate fertilizers.

In 1973, when the price was just $14 per ton, Morocco exported slightly more than 16 million tons for about $188 million. Assuming production of 20 million tons for 1974, Morocco's income from phosphate might reach $1 billion, almost equal to 20 percent of the country's total gross national product (GNP) for 1973, when per capita GNP was $300.

Morocco is the largest exporter of phosphate rock and the third largest producer after the United States and the Soviet Union. With reserves estimated at over 1.5 billion tons, output could double in the next 25 years. Possible exports of 40-50 million tons of rock per year, plus a phosphate-based chemical industry, may give the Moroccan economy some of the boost petroleum has given those of other Arab countries.

Output will first be increased at existing mines at Khouribga and Youssoufia. By 1977, a third mine at Ben Guerir will add 2 million tons, increasing annual output to 12 million tons by 1981.

The third mine project was begun in May of this year. The mine will cost $240 million, but since a new port will be constructed south of Casablanca to handle the country's added phosphate outturn, the total cost of the projects will be higher by an additional $120 million. Both the new mine and harbor will be financed entirely from phosphate earnings.

Early in 1974, Morocco and the Soviet Union signed an agreement to open a fourth mine at Meskala in southern Morocco. Scheduled to start producing 3 million tons annually by 1980, and increasing output to 10 million by 1990, the mine will devote its entire production to the Soviet Union.

—Herbert H. Steiner, *ERS*

World Grain Supplies Continue Tight, Even Though Usage Rates Are Slowing

World grain supply conditions continued unusually tight as of mid-September.[1]

Wheat and feed grains. Since late August, there have been some significant downward revisions of crop estimates in certain countries. At least in part, however, these decreases are being offset by declining rates of grain usage for animal feed.

The current West European total-grain crop estimate is 2.1 million tons less than a month ago, the prospective USSR crop is 5 million less, the estimate for Canadian grain is 3.4 million ton less, and the total for all other countries is reduced by about 2 million tons. For total grain production outside the United States, the current estimate is nearly 2 percent below a month ago.

Projected world wheat production in 1974 has been lowered from 360.5 million tons to 351.6 million tons, reflecting primarily reduced harvest prospects in the United States, Canada, and the Soviet Union. Wheat production in Europe, however, is up 2.4 million tons over the August projection.

World coarse grain production currently is estimated at 581.8 million tons, compared with 585.3 million tons in August. Declines in the production estimates for Canada, West Europe, India, and the People's Republic of China account for most of the decrease.

The estimate of the USSR total grain and pulse crop has been lowered from 210 million tons to 205 million tons, due to drought conditions that prevailed in the eastern part of the New Lands. All of this reduction has been applied to wheat.

Reduced wheat output in the United States, Canada, and the USSR will likely result in a further lowering of world wheat stock levels during 1974-75, instead of the modest increase that was anticipated on August 20.

Feedgrain stocks at the end of 1974-75 currently are also expected to be lower than last month's estimate, but this prospect could easily also be reversed, since it depends mainly upon the extent of decline in animal feeding rates that has already begun.

Consumption of grain globally in 1974-75 is now projected at 3 million tons below the August estimate and 26.6 million tons less than last year's level.

Preliminary reports from many countries, particularly in Western Europe and Japan, indicate that consumption levels of grain for feed are declining.

If high worldwide inflation rates and feed costs persist, the current estimated level of feed-use could be reduced further, as well as the estimate of foreign import needs for feedgrains.

World grain trade in 1974-75 is now estimated at 125 million tons, almost 1 million tons above the August 20 level. Wheat trade is forecast at 67.9 million tons, or 900,000 tons greater than in late August, while the feedgrain trade estimate remains at slightly above 57 million tons.

The U.S. grain export estimates for 1974-75 are expected to be affected only marginally by the above changes in the world supply-demand situation.

Although the estimate of U.S. feedgrain exports has been raised for the marketing year (October-September) by about 1 million tons, the July-June export estimate remains unchanged because of especially low export movement of feedgrains during the July-September quarter of 1974. U.S. wheat exports are still estimated at 900-1,000 million bushels.

As of September 8, the outstanding export sales report showed that 1,051 million bushels of U.S. corn had been booked for delivery to all destinations (known and unknown) in October-September 1974-75.

Past experience tends to demonstrate that with a relatively tight world supply situation, some of the reported sales are either cancelled or postponed, and therefore do not actually materialize as shipments.

For example, outstanding export sales on August 3. 1973, showed 350 million bushels of corn still to be shipped during the balance of marketing year 1972-73, while actual shipments during that period subsequently proved to be only about 230 million bushels.

On December 23, 1973, outstanding export sales showed approximately 673 million bushels of wheat to be shipped during 1973-74, while only about 421 million bushels actually were exported.

The aggregate world grain yield for wheat and coarse grains in 1974-75 is currently expected to be 5.7 percent below last year's record and 6.2 percent below the calculated trend. Although yields are generally lower this year, the United States, with a 16-percent drop in yields relative to last year, and a 20-percent deviation from the 1974-75 trend yield, accounts for most of the lower world yield.

In terms of production, the smaller U.S. crop represents 66 percent of the world's 37-million-ton shortfall, relative to last year, but 87 percent of the world's deviation from production based on trend.

Rice. Preliminary data indicate that 1974-75 world rice production will be about 1 percent below last year's record 309.8-million-ton crop (paddy). In Asia, where 90 percent of the world's rice is grown, production appears to be down about 4 million tons, largely because a weak monsoon has reduced the Indian crop by an estimated 5 million tons.

Production declines are also likely in Bangladesh (down 600,000 tons), Thailand (450,000), and Burma (300,000). These losses will be partly offset by slightly higher production in North and East Asia, and by bumper crops in Indonesia and Sri Lanka, traditionally two of Asia's largest importers.

Outside Asia, production may be up nearly 2 million tons. Most of the increase is occurring in the United States, where the new crop exceeds last year's by 940,000 tons (paddy). Production is down slightly in the Common Market, but up an estimated 250,000 tons in the USSR. Larger 1974-75 crops are planned for the Southern Hemisphere, through in most cases they won't be harvested until early next spring.

Next year's trade is not expected to exceed the current level of about 7.5 million tons. Excepting Pakistan, Asia's five leading suppliers (People's Republic of China, Thailland, Pakistan, Japan, Burma) will probably offer less rice in 1975 than in 1974. On the other hand, demand may be dampened by the excellent harvests in Indonesia and Sri Lanka, some recovery in war-torn Southeast Asia, and slowly improving prospects in the Philippines and South Korea.

The impact of the poor Indian and Bangladesh crops on world rice trade should not be overestimated; they have traditionally countered rice shortfalls by purchasing cheaper grains, procuring food aid, or reducing consumption.

[1] **Text of Foreign Agriculture Circular 22, September 24, 1974.**

Chile's New Agrarian Reform Policy May Help Boost Output

By EDMOND MISSIAEN
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MODIFICATIONS OF Chile's agrarian reform law are among new agricultural policies now being initiated to help reverse the downward trend in that country's farm production. At the core of these current modifications is the granting of individual ownership titles to beneficiaries of the reform. At present, most of the land in Chile's "reformed sector" is owned by the State.

Over the last 9 years, Chile's agricultural sector has gone through a massive agrarian reform process that resulted in the almost complete elimination of large private farms. Nearly 40 percent of the country's usable farmland, including 50 percent of land in crops and 60 percent of irrigated acreage, was expropriated from owners of 5,800 large estates.

Since 1970, the rapid pace of the reform process, plus several other institutional changes in the agricultural sector, has led to a precipitous drop—about 20 percent—in agricultural production. (See *Foreign Agriculture*, June 18, 1973.)

In all, about 9.8 million hectares (1 hectare equals 2.471 acres) of farmland have been expropriated under Chile's agrarian reform since 1965. Of this total, a little over 3.5 million hectares were expropriated between 1965 and 1970. According to the law, owners of estates being expropriated who were adequately utilizing the land were allowed to retain a reserve, that is a portion of the estate, ranging in size from about 40-80 equivalent irrigated hectares. (An equivalent irrigated hectare is the amount of land whose productive capacity is equivalent to 1 hectare of good irrigated land in Santiago Province.)

If an estate was abandoned or inadequately utilized, no reserve was granted.

Expropriated portions of former estates were organized as settlements (asentamientos), a transitory tenancy arrangement in which the Agrarian Reform Corporation (CORA) retained title to the land, and former permanent laborers on the estate worked the land in common. By late 1970, 87 percent of land expropriated under the agrarian reform was still in asentamientos, and the balance had been titled to reform beneficiaries, mostly as community property organized as cooperatives.

The administration of President Allende (1970-1973) critized the process of reform under the previous administration as having been too slow and inequitable in the redistribution of land. The pace of expropriations was stepped up, and in less than 3 years about 6.3 million hectares of farmland were expropriated.

In an attempt to remedy the equity problem the Allende administration created two new tenure institutions—Agrarian Reform Centers (CERA's) and Production Centers (CEPRO's or State farms)—which were open to all farmworkers, even if they were not permanent workers on the land at the time of expropriation. These new institutions precluded the possibility of eventual indivdual land ownershp.

The new tenure concepts met with limited success, however, because they were resisted by permanent workers on the expropriated estates. As a result, only 296 CERA's and 75 CEPRO's, which often encompassed more than one expropriated estate, had been formed by August 31, 1973.

In contrast 1,487 peasant committees—a temporary organizational structure set up when workers of an expropriated estate were unwilling to join a CERA—were established. And on more than 1,000 expropriated estates, no form of farm organization was established.

The accompanying tabulation gives a general picture of the land tenure situation in Chile at the end of 1972 after about 90 percent of the expropriations

Chilean livestock, such as the Hereford bull (right), figure in the Government's plans for reversing the downtrend in farm output. Land in Aconcagua Province (far right) is typical of acreages being deeded to reform beneficiaries after the expropriations of recent years. Rapeseed harvests such as those in Malleco Province (below) may increase if new Government farm output goals are reached.

CHILE: LAND TENURE SITUATION, DECEMBER 1972

Type of farm	Size of farm	Number of farm units	Equivalent hectares	Farm labor force
	Equivalent hectares	*Percent*	*Percent*	*Percent*
Micro	less than 5	76.6	9.7	[1] 55
Small	5 to 20	10.8	12.7	
Medium	20 to 40	6.7	9.5	25
Medium	40 to 80	3.9	31.6	
Reformed		2.0	36.6	20
Total		100.0	100.0	100

[1] Includes landless agricultural workers.

had been completed. Although the agrarian reform lessened the problem of poor distribution of productive resources in agriculture by eliminating the large private estates, benefits of the reform—despite efforts of the Allende Administration—were poorly distributed among farmworkers. The least privileged sectors of the farm labor force—landless workers, workers of micro-farms (minifundias) that are too small to support a family, and small farmers—constituting more than half of all farm workers, were unaffected by the reform.

A second problem related to the poor productive performance of the reformed sector. Approximately 25-30 percent of food production originated in the reformed sector, which had about 37 percent of the land resources, while the medium farm sector produced about 60 percent of total food output on 41 percent of the land.

Changes in Chilean agricultural policy, including modifications of the agrarian reform, since the change in Government (Sept. 1973) appear to have been aimed principally at reviving agricultural production, and secondly, at adjusting the remaining economic inequities in the farm sector. Production incentives outside the agrarian reform area include greatly increased prices for agricultural products and improved credit and input flows. Agrarian reform policy includes guarantees against expropriation to medium size farmers, correction of past injustices, improved organization in the reformed sector, and granting reform beneficiaries title to the land.

The Government has guaranteed that farms of 40 equivalent hectares and less will never be expropriated. A guarantee against expropriation also has been granted for farms between 40 and 80 equivalent hectares if the land is adequately utilized. For the small number of farms over 80 equivalent hectares that have yet to be expropriated, there will be no expropriations in the next 5 years, unless the land is abandoned or poorly utilized.

The present Government maintains that in the past many estates were unjustly expropriated without granting reserves. CORA investigated all of these expropriations in order to determine in each case if such reserves were unjustly denied.

About 2 million hectares of farmland, or about 20 percent of the total reformed sector, are expected to be returned to private hands as a result of this review process, which will leave the reformed sector with about 8 million hectares of farmland, or about 30 percent of the total available productive farmland. In return for receiving a reserve, landowners will be asked to waive all right to payment for that part of their former estates that remains in the reformed sector.

Asentamientos, or settlements, are now considered the only legal institutional arrangement prior to the granting of titles to reform beneficiaries. All CERA's, CEPRO's, peasant committees, and unorganized farms in the reformed sector are now being transformed into asentamientos. This process, plus the granting of reserves to former landowners, will deny reform benefits to some workers who had previously been included. An objective set of criteria has been established in order to determine who will be members of these newly organized settlements.

The Government hopes to complete the process of granting individual land ownership titles to beneficiaries of the agrarian reform within the next 5 years; some 8,000 titles are scheduled to be granted during 1974. In most cases, asentamiento members eventually will be granted title to a specific piece of land. The new landowners are then to form a production and marketing cooperative, embracing all former members of each asentamiento.

Farm machinery, buildings, and other important infrastructure will be deeded to the cooperative. Regional Ministry of Agriculture officials will assist the agrarian reform cooperatives in forming their production plans. Titles will be given only for farm units large enough to adequately support a family.

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French Farm Problems

Continued from page 7

inflation and higher feed costs.

The EC beef surplus, of course, is also troubling French agriculture, curtailing the country's drive to capitalize on the Community's traditional beef deficit. (See Foreign Agriculture, July 29, 1974.)

Last year, France earned around $700 million from the export of live animals and meat, the bulk of which went to Italy. One of Italy's goals, however, is to cut this reliance on livestock imports, and toward this end it has put into effect a number of trade restraints—requiring, for instance, that beef importers deposit 25 percent of the value of such purchases with the Bank of Italy for 6 months at no interest.

In addition, there are the large EC intervention stocks of beef—totaling around 130,000 metric tons at midyear —and a broiler surplus. (The total beef excess, however, is much larger; recent trade estimates place it at 260,000 tons for France alone.)

The EC has attacked these surpluses through import restrictions—such as increasing gate prices on turkeys and banning all beef and veal imports for a 4-month period beginning July 16—and actions to lower beef and poultry output. (France recently has been lobbying for extension of the ban.) In addition, the EC recently sold 50,000 tons of beef to the Soviet Union at a price of around 38 cents per pound.

But because of the high cost of grain at a time of weak beef prices, the rate of slaughter has continued to accelerate, producing still more beef. French beef production jumped by over 25 percent in the first 5 months of 1974 and is expected to post a gain of about 20 percent for the full year.

At the same time, producers are demanding another 8-percent increase in guaranteed prices this year to meet mounting costs caused by inflation.

Wine. French wine producers—whose products rank as the country's second most important agricultural export while accounting for nearly a fourth of the world wine supply—are increasingly dismayed this year over inflation's impact on their business.

Until recently, French output of wine and other alcoholic beverages had held to a slow growth pattern. However, the confluence of rising demand, good returns, and unusually favorable weather has led to sudden rapid growth in output and in turn created surplus problems for French wine growers. In 1973, for instance, France had a record wine production of 8.24 billion liters—15 percent larger than had earlier been forecast. And further expansion is seen for 1974.

Much of the growth has been in the lower quality wines produced along the Mediterranean coast, which has prompted efforts now to emphasis quality over quantity. There have also been some problems with deceptive marketing practices—another side effect of French growers' attempt to capitalize on the rising world demand for wine.

High world prices helped boost export earnings from wine and other alcoholic beverages to $1.3 billion in 1973. But because of the higher production and weakened demand—at a time of rapid inflation—French growers now are seeing costs run ahead of returns. Like farmers in many other countries, they have taken their complaints to the political arena, lobbying for additional price protection while staging farmer demonstrations to bring public notice to their plight.

French wine shipments move to numerous markets both inside and outside the Community. The United States is the third largest outlet behind West Germany and the United Kingdom, taking $120 million worth last year.

As in the past, France also ranks as a major wine importer, with such purchases totaling about $232 million in 1973. In fact, only in recent years has the country moved from a deficit to a surplus position in this trade, with imports long bolstered by large purchases of lower-quality wines from Algeria and other Mediterranean countries.

Fruits and vegetables. As the EC's second largest producer of fruits and vegetables next to Italy, France reaps both the benefits and problems inherent in such a position. The benefits include hefty foreign exchange earnings—totaling roughly $630 million last year—while the problems evolve from times of extensive overproduction, low prices, and general farmer unrest.

This year, frost damage to crops in the Rhone Valley area eliminated some of the latter difficulties, but brought crop losses ranging from 10 percent for the big apple crop to 70 percent for apricots. Still, because of rampant inflation, producers are very concerned over prices and have used their political muscle to try to get limits placed on imports of these products.

The current worry is about EC arrangements that facilitate imports of fruit from Mediterranean third countries, to which EC fruit growers have responded with widespread demonstrations. (The EC during July 4-11 took emergency action to suspend imports of peaches into France, reportedly owing to market disruptions caused by a large concentration of imports in a short period of time. In addition, there have been several instances of boycotts against and disruption of Spanish fruit exports into France.)

Contributing to supply problems of recent years, French production of fruits doubled between 1961 and 1968 to total 3.6 million tons, but then remained relatively stable at around 3.5 million to 3.7 million tons. Accounting for the bulk of output—88 percent—are four fruits: Apples, 48.5 percent; peaches, 16.5 percent; pears, 15 percent; and table grapes, 8 percent.

French vegetable production since 1968 has also held fairly steady, averaging between 4 million and 5 million tons of fresh vegetables (including early potatoes). However, there have been sharp changes in composition of output, with greater emphasis now on fine vegetables like peas, beans, and asparagus. As with fruits, vegetable growers are feeling the pressure of inflation these days, and registering these complaints through increased demand for protection from outside competition and for better guaranteed returns.

Sugar. After years of stiff acreage controls to prevent overproduction, French sugarbeet growers in 1973 were allowed a 15 percent increase in area, and output rose to an estimated 19.9 million tons from 14.8 million the year before. Prospects are not so favorable for 1974 output, however, as area is up only slightly and yields could be reduced by the excessive dry weather this year.

Behind the loosening of acreage controls has been the strong world demand and unprecedented high prices for sugar during the past year. This has aided French sugar exports, which in 1973 earned some $500 million in foreign exchange, although they are still largely limited to markets inside the European Community.

CROPS AND MARKETS

Tomato Processing Output Estimated in Four Countries

Production of processing tomatoes in 1974 is expected to increase over last year's level in Mexico and Spain and decline in France and Portugal. The reports follow:

Mexico's production of prcoessing tomatoes for 1974 is forecast at a record high of 129,000 metric tons, an increase of about 16 percent from that of a year earlier. This forecast is based primarily on increased planted acreage stimulated by favorable prices on the international market. Most of the increased production is in the State of Sinaloa, while production in the Bajio region was reduced by about one-half of the 1973 level, a decrease of about 12,000 metric tons. The quality of this year's crop is generally good.

Raw product prices paid to growers in 1974 are reported to be higher than those of a year ago. In the Bajio area, raw product prices averaged about $52 per metric ton, an increase of 71 percent from the 1973 level. Raw product prices were up by about 61 percent in the Sinaloa region, compared to those of 1973, increasing the price to $38 per ton.

U.S. and Japanese firms have shown continued strong interest in establishing new tomato processing plants in the Sinaloa area. This interest has been precipitated by the current high prices on the international market and the short supply situation in the United States.

Planted acreage for processing tomatoes in **Spain** in 1974 currently is estimated at about 45,700 acres, 12 percent above last year's level.

Favorable weather conditions during the growing state have permitted a heavy fruit set. Production is expected to be up by about 11 percent from that of 1973, based on planted acreage, with an average yield of 27 metric tons per hectare.

Preliminary projections from industry sources indicate there will be a significant change in the product mix of tomato products, relative to that of a typical year. A substantial increase in tomato paste production is forecast, amounting to an alltime high of about 50,000-55,000 metric tons of the finished product.

Raw product prices paid to growers have ranged from a low of about $35.20 per metric ton to a high of $79.20, depending on the production area. These prices are higher than those of last year by about 10 percent and 125 percent, respectively. In the major paste production region, raw product prices remained in the low range from $35.20-$44.00 per metric ton. Finished product prices are expected to be higher than last year's due to increased input costs.

The current tin plate shortage problem is expected to cause difficulties in acquiring sufficient quantities of cans for the expected larger crop. If this shortage problem persists, the expected record paste production may not be achieved.

Planted acreage for processing tomatoes in **France** in 1974 is projected at about 27,200 acres, up by 10 percent from that of the previous year. Current harvesting operations of processing tomatoes is behind by about 15 days, compared to a normal year. The tomato crop for 1974 is forecast at 190,000 metric tons, down by 21 percent from last year's record level. The quality of this year's crop is considered good, consisting of about 42 and 57 percent of round and elongated varieties, respectively.

Raw product prices received by growers in 1974 are expected to be above last year's level. The preliminary price for the round variety was set at an equivalent of $62.30 per metric ton, an increase of 50 percent over the 1973 level. For the elongated variety, the preliminary price was set at $72.70 per metric ton, up by 52 percent from that of the previous year. These higher prices result from the high rate of inflation and increased production costs.

The 1973 product mix of processed tomatoes consisted of 29,200 metric tons of concentrate, 49,600 metric tons of specialty products, 7,600 metric tons of sauce and pulp, and 7,600 metric tons of raw product equivalent for other products. For this product mix, the proportion of the total quantity of processing tomatoes allocated to concentrate was 74 percent, followed by specialty products, 21 percent; sauces and pulp, 3 percent; and other products, 2 percent. The proportion of the 1974 product mix of processed tomatoes is forecast to be about the same as that of 1973.

Although prices of finished tomato products are expected to be higher than those of a year ago, no problems in marketing of these products are anticipated.

Acreage planted for processing tomatoes in **Portugal** in 1974 is down from that of a year earlier by less than 1 percent, resulting in about 64,246 acres. Yields, now estimated at 34.6 metric tons per hectare, are also lower than last year's by about 2 percent. Consequently, the tomato crop is forecast at 900,000 metric tons, about 2.6 percent lower than the 1973 crop. Further reduction in production is threatened by the water shortage in certain production areas.

Preliminary indications place tomato paste production at about 150,000 metric tons, below last year's output by about 2.6 percent.

Raw product prices paid to growers are up from the 1973 level by more than 100 percent. These prices for first and second quality tomatoes were about $52.00 and $44.10 per metric ton, an increase from 1973's by 116 and 145 percent, respectively.

The current minimum export price, f.o.b., for tomato paste has been established at $875 per metric ton, accounting for a 102 percent increase from the 1973 level of $432 per metric ton. Industry sources indicated that current f.o.b. prices have been fluctuating from $880 to $1,039 per metric ton, more than twice the price during the same period last year. These higher prices are expected to have an adverse effect on volume exported to the United States and Japan.

Exports for 1973 of tomato paste (28-30 percent solids)

and peeled tomatoes have increased by about 13 and 12 percent to a level of 171,826 and 3,639 metric tons, respectively, compared with 1972 levels. Major importers of Portugal's paste were the United Kingdom, the United States, and Japan, accounting for about 28, 20, and 16 percent, respectively, of the total volume exported. Primary importers of peeled tomatoes were the United Kingdom, Sweden, and West Germany, accounting for 34, 12, and 9 percent, respectively, of the total volume exported.

Volume of tomato paste shipped during the first 5 months of 1974 has lagged behind by 48 percent, compared to the volume for the same period last year. Shipments of peeled tomatoes are running ahead of last year's level, up by 12 percent from the same 1973 period.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 24	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.83	+1	6,29
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.69	−11	5.77
15 percent	(1)	(1)	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.58	−18	5.73
No. 3 Hard Amber Durum	7.50	−10	8.44
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.92	+2	3.07
Argentine Plate corn	4.13	−1	3.35
U.S. No. 2 sorghum	3.70	−1	3.16
Argentine-Granifero sorghum	3.77	−2	3.12
U.S. No. 3 Feed barley	3.42	+8	2.98
Soybeans:			
U.S. No. 2 Yellow	8.44	+4	7.16
EC import levies:			
Wheat	0	0	0
Corn	0	0	.29
Sorghum	0	0	.28

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Salvadoran Grain Output Up, But Low Stocks Require Imports

Production of grain in El Salvador increased during 1973-74, but because drought the previous year had reduced stocks to drastically low levels, sizable quantities of all grains except sorghum had to be imported. Compared with the poor 1972-73 output, corn production in 1973-74 increased 71 percent; and sorghum and rice were up, 7 and 1 percent, respectively. Bean output rose 36 percent.

By withdrawing the tax on income from the production of grains (except rice and beans), the Government of El Salvador hopes to induce larger landholders to begin or expand production in an effort to make the country self-sufficient. The Agricultural Development Bank is providing financial and technical assistance, but the ban on grain exports seems to have discouraged production of rice, and thus prompted some larger producers to reduce acreage.

Corn and rice production are expected to decline in 1974-75, while sorghum and bean output increase slightly. High prices and a shortage of inputs are contributing to the anticipated reduction.

PRC 1974 Grain Crop Estimated

Foreign government officials visiting Peking were officially told in mid-September that the People's Republic of China currently is expecting grain production to total 250 million metric tons this year. Grain production in 1973 was officially reported in late 1973 to have topped 250 million tons. Also in mid-September another group of official visitors was told that 1973 production had been 257 million tons. If the latter figure is correct, 1974 production of 250 million tons would be 2.7 percent below last year's.

CAP Support Price Increase Proposed

An average 4 percent increase in all 1974-75 Common Agricultural Policy (CAP) support prices has been proposed by the European Community Commission to the Council of Agricultural Ministers. If adopted, it will be the first time the CAP annual support price levels have been revised in mid-season. The Ministers, seeking measures to alleviate the agricultural situation in the EC, began consideration of the new and higher prices on September 17. The Commission has suggested the revised prices become effective October 1.

DAIRY AND POULTRY

Greece Extends Cheese Duties

Effective July 26, 1974, the Greek Government extended countervailing duties to all cheese except feta and kefalotyri. Excess cows' milk output and continued subsidization of milk into cheese manufacturing continue to be problems in Greece.

EC Cuts Validity Periods On Milk Export Permits

Effective July 29, 1974, the European Community reduced the period of validity of export licenses for milk powder from 5 months following the month of issuance to 60 days following the date of issuance. For most other dairy products, including cheeses, but excluding butter, the period of export license validity remains at 5 months following the month of issuance. The period of validity of butter export licenses is 60 days.

Export licenses may be extended to 6 months for butter and milk powder exported in bulk. This extension may take place when supply contracts have been concluded and provide for shipments beyond the normal period of license validity. Such extensions will be granted only for exports to the country of destination specified in the contract, and each license may be extended only once.

New Zealand Milk Situation Improves

New Zealand's pastures are lush as heavy rains have removed all traces of last season's drought. Improved pastures should increase milk production 10 percent during the 1974-75 season, compared with that of a year earlier. Increased output will probably depress product prices and eliminate any prospects for special quota sales to the United States.

COTTON

Cotton Output Up in Senegal

Despite the severe drought that has reduced other crops in the Sahel area of Africa during the last 6 years, annual cotton production in Senegal, amounting to less than 100 bales in 1964-65, has risen steadily to 57,000 bales (480 lb. net) in 1973-74 from 72,000 acres. This compares with 41,000 bales from 50,000 acres in 1972-73, and 19,000 bales from 34,000 acres in 1970-71. The Senegalese Government hopes to raise cotton production to around 125,000 bales by 1980.

Local textile plants now are consuming nearly one-half of total domestic cotton production and the Government hopes to attract foreign investors in the textile sector. Senegalese cotton is exported to France, Italy, Spain, Japan, Morocco, and West Germany.

Cotton production began to rise sharply in 1967-68 as a result of development efforts by the Compagnie Francaise de Developpement des Fibres Textiles (CFDT), including employment of extension workers, the use of inputs such as better seed and more fertilizer, and marketing of the crop. Gins have been constructed with loans from the European Investment Bank, and roads and other needed infrastructure have been financed under grants from the European Development Fund and aid from France. Beginning in 1974-75, a new quasi-Government corporation, Societe de Developpement des Fibres Textiles (SODEFITEX), is to take over Senegalese cotton development from the CFDT. SODEFITEX, in which the Senegalese Government holds 80 percent of the shares and the CFDT 20 percent, has a capital equivalent to about US$3 million.

OILSEEDS AND PRODUCTS

Canada's Oilseed Crops Estimated

The first official estimate of Canada's oilseed crops indicate some increase in rapeseed production, but a slight decline in flaxseed output in 1974.

Rapeseed production, at 54.7 million bushels, increased 3 percent from the 1973 crop of 53.2 million bushels. The increase resulted mainly from an additional 60,000 acres planted for the first time in British Columbia.

Despite a minor increase in flaxseed acreage, flaxseed production declined to 18 million bushels from 19.4 million in 1973 because of adverse weather conditions. Floods during the spring planting season and very high temperatures in early summer reduced the yield to 12 bushels per acre, down from 13.4 bushels in 1973.

The above estimates, released by Statistics Canada on September 6, were based on conditions as of August 15 and, therefore, do not reflect crop conditions subsequent to the recent early frost in the Prairie Provinces that may alter production figures for Canada's oilseed crops.

Philippine Copra Prices Decline

Philippine copra prices fell to a low of $630 per metric ton, c.i.f. Europe, by late August. With the Philippine minimum export prices of $590, plus about $110 shipping charges and export taxes, copra supplies were building up at Philippine dockside and many exporters were no longer buying. Further, according to some sources, Philippine copra supplies are expected to increase at a monthly rate of 50,000 tons over current processing capacity for the remainder of 1974.

The Philippine Central Bank Monetary Board directed that a Pricing Committee be organized to monitor world prices and make a continuing assessment of the world market for coconut products. The Committee is to have representatives from the Central Bank, the Philippine Coconut Authority, National Economic Development Authority, the Department of Trade, and the Philippine National Bank. Scheduled to meet each Monday with leaders of the coconut industry, the Committee will then submit recommendations to the Government of the Philippines.

GENERAL

Great Lakes Transport Situation Reported

The reopening of the Welland Canal on Monday, September 9, some days earlier than expected, liberated 38 seagoing vessels and renewed hopes for revitalization of Great Lakes commerce. Service on the Canal, abruptly blocked when an ore carrier toppled a drawbridge into its waters on August 25, was restored in less time than the most optimistic estimates had indicated. Almost simultaneously, however, pilots working for the Great Lakes Pilotage Authority (an arm of the St. Lawrence Seaway Authority) refused to move vessels upbound through the Welland Canal. Twenty-six ships currently are tied up at Port Weller near the Ontario end of the Welland Canal entrance.

Meanwhile, talks between the Canadian Lakes Carriers Association and two unions representing Canadian deck and engineer officers have been proceeding steadily since August 29, when meetings began.

That strike has tied up 149 vessels that normally serve Canadian industry and Arctic ports. St. Lawrence elevator operators report that the stoppage has reduced their export grain tonnage to a few days' supply. The Canadian Government has arranged for special unit trains to move grain from country elevators to ports, but this cannot begin to meet the full transport need.

Correction: Spain's estimated 1975 olive oil production given on line two of "Spanish Olive Oil Output Declines," page 15, September 16, 1974, should read 380,000 metric tons.

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Chile's Reform Policy

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The first titles, granted in December 1973, were for units ranging from 6 to 14 hectares of irrigated land in Santiago Province. These new units can be bought and sold on approval of CORA, but they cannot be rented or subdivided. Recipients of titles must be family heads and agree to personally work their farms.

Annual payments, over a period of 30 years, are to be set which are equal to the value of a specified amount of one or more agricultural products, equal to about 5 percent of gross receipts. Another Government goal is to establish realistic property taxes for all landholders, including those within the reformed sector, within the next 4 years. Farmers in the reformed sector currently pay no property taxes.

Two other policy goals of the Chilean Government—encouragement of regional agricultural cooperatives and the promotion of rural-based industries—are marginally associated with agrarian reform because they will deal with the problem of economic inequity in the farm sector. Regional producers' and marketing cooperatives would assist all types of farmers including medium, small, asentamientos, and agrarian reform cooperatives, and would be particularly useful in extending technical assistance to smaller scale farmers. Many successful cooperatives of this type are already in existence.

Rural industries, based principally on the processing of agricultural commodities, would provide employment opportunities to micro-farm operators and landless agricultural workers.

Adverse Weather Reduces '74 Canadian Wheat Crop

Canada's 1974 wheat crop now appears likely to total only about 440-520 million bushels, Statistics Canada officials indicate in Ottawa. The lower estimate is due to a combination of adverse weather and reduced acreage estimates.

A Statistics Canada report published September 6 on the basis of indicated yields on August 15 estimated total 1974 Canadian wheat production at 542 million bushels, a reduction of 50 million bushels from earlier estimates and 60 million bushels below the 1973 level.

The projected 1974 yield, based on the September 6 estimate, is 23.1 bushels per acre, compared with the 1973 yield of 24.8 bushels and the previous 5-year average of 25.2 bushels per acre.

The September 6 estimate does not, however, take into account grain damage due to rain and low temperatures since that time. A heavy frost hit Saskatchewan over the Labor Day weekend, and, although Statistics Canada has not yet completed its assessment of damage, it appears that both quality and quantity will be affected, with possible total Canadian loss of 25-100 million bushels, thus placing the total crop at 440-520 million bushels.

On September 24, FAS estimated Canadian wheat exports for August-July 1974-75 at 455 million bushels, with a carryout on July 31, 1975, of 290 million bushels.

FAS additionally estimates a 36 percent decrease in feed use of wheat, and a 14 percent decline in total consumption from the 1973-74 level.

Further reductions in the crop estimate, however, will necessarily reduce the export estimate, since projected consumption and ending stocks for the 1974-75 marketing year are already close to rock-bottom levels.

Labor problems are casting a further pall over the Canadian grain export picture in 1974-75. A slowdown followed by a complete work stoppage by grain handlers at Vancouver, combined with the accidental closing of the St. Lawrence Seaway, cut wheat exports during July and August by as much as 1 million tons, compared with the 2-month period of 1973.

The Canadian Wheat Board, however, is expected to make an all-out effort to move wheat, following the disappointing August-July 1973-74 export flow of only 11.3 million tons. The earlier estimate was for 13.6 million tons.

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